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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 27, 1999

APPLICATION OF

SHANNON FOREST WATER CORPORATION

CASE NO. PUE970752

For a certificate of public
convenience and necessity

FINAL ORDER

On September 5, 1997, Shannon Forest Water Corporation ("Shannon Forest" or "the Company") filed its application for a certificate of public convenience and necessity. In its application, the Company requested authority to provide water service to portions of a subdivision known as Shannon Forest in Boones Mill, Virginia.

The Company also requested approval of the following tariff:

Water Rates

1. Service Connections:

- (a) $\frac{3}{4}$ -inch service connection - \$500.00
- (b) Service connection over $\frac{3}{4}$ -inch - actual cost to the Corporation but in no even less than that for $\frac{3}{4}$ -inch connection

2. Metered Rates:

<u>Gallons Per Month/Quarter</u>	<u>Rate</u>
For the first 2,000	\$7.50 per 1,000 gallons
For all over 2,000	\$2.00 per 1,000 gallons

3. Minimum charge:

There shall be a monthly minimum service charge of \$15.00 for water service and no bill will be rendered for less than the minimum charge. The minimum monthly service charge shall become effective when the water service is connected to the lot.

Shannon Forest bills monthly in arrears.

The Company charges a customer deposit, the maximum amount of which shall not exceed the customer's estimated liability for two months' usage. The Company also charges a \$100 meter test fee for meters where the average error is found to be less than two percent, or where a test has been conducted within the past 24 months and the customer still desires a test. In addition, Shannon Forest has a bad check charge of \$6.00, and a late payment fee of 1 ½ percent per month on any customer charges not timely paid.

In an order entered on December 17, 1998, the Commission directed the Company to give notice of its application and to provide the public with an opportunity to comment and request a hearing. The Commission also directed its Staff to file a report detailing its findings and recommendations on or before June 24, 1999.

In its report filed on June 24, 1999, Staff noted that the Commission had received no comments or requests for hearing. Staff recommended that the Commission grant Shannon Forest a

certificate of public convenience and necessity and approve its proposed rates, charges, and fees with the exception of those noted below.

In its report, Staff recommended that the Commission approve Shannon Forest's application, but deny its request for a service connection fee and meter test fees because the Company failed to provide any data or information on the fees. Staff also recommended that Shannon Forest be required to file, with both the Division of Energy Regulation and the Virginia Department of Health Office of Water Programs ("VDH-OWP") Danville field office, a plan to address the iron and manganese problem with its Well No. 3 within 60 days of this Order.

Staff further recommended several accounting changes. Specifically, Staff recommended that the Company maintain its books in accordance with the Uniform System of Accounts ("USOA") for Class C water utilities; keep its books on the accrual basis of accounting; maintain more organized meter reading sheets; check meters monthly and replace "bad" meters with more reliable ones; reclassify plant to appropriate accounts in accordance with USOA, and begin depreciating using the composite 3% rate for all depreciable plant; and maintain all invoices and other documentation to support expenses and plant additions. For the test year ending December 31, 1998, Shannon Forest's rate of return statement shows, after Staff's adjustments, total

operating revenues of \$17,168, total operating expenses of \$14,812, and an adjusted operating income of \$2,356. This generates a 10.66% return on an adjusted rate base of \$22,110. Based on this information, Staff states that the Company's metered, monthly rates are just and reasonable and should be made permanent.

In a letter dated October 12, 1999, the Company agreed to accept Staff's recommendations as stated in the above-referenced report.

Also, in a letter dated December 15, 1999, the Company asked the Commission for leave to file its proof of notice late, and submitted with that letter proof that it gave notice of its application to its customers and the Franklin County Board of Supervisors on February 2, 1999.

NOW THE COMMISSION, having considered the Company's application, Staff's report, the Company's letters, and the applicable law, finds that it is in the public interest to grant Shannon Forest a certificate of public convenience and necessity to provide water service. The Commission will approve the Company's rates, charges, and rules and regulations of service, as modified by the Staff. We will also adopt Staff's accounting and booking recommendations. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Shannon Forest Water Company is hereby granted Certificate No. W-295 to provide water service to portions of the Shannon Forest subdivision of Boones Mill, Virginia.

(2) Shannon Forest's rates are hereby approved. Specifically, the Commission authorizes the Company to charge \$15.00 for the first 2,000 gallons and \$2.50 for each additional 1,000 gallons of water used monthly.

(3) Shannon Forest's proposed charges, rules and regulations, as modified by Staff, are hereby approved.

(4) On or before February 1, 2000, Shannon Forest shall file with the Commission's Division of Energy Regulation a revised tariff incorporating the changes in its rules and regulations of service as adopted herein.

(5) The Company shall implement Staff's accounting and booking recommendations as detailed herein.

(6) Within 60 days of the date of this Order, Shannon Forest shall file with both the Division of Energy Regulation and the VDH-OWP Danville field office a plan to address the iron and manganese problem with Well No. 3.

(7) This case hereby is dismissed from the Commission's docket of active cases.